

Services Division  
European Satellite Committee

Meeting of 25 June 1958

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Present: [REDACTED] S/COM: [REDACTED] S/CST: [REDACTED] 25X1A9a  
[REDACTED] S/TR: [REDACTED] 25X1A9a  
[REDACTED] S/TR: [REDACTED] A/E: [REDACTED] A/FC; [REDACTED]  
[REDACTED] M/Ag; [REDACTED] M/FM; [REDACTED]  
[REDACTED] I/MS; [REDACTED] I/PE; [REDACTED] St/I/R, and [REDACTED] DDP.

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A panel of three analysts discussed the Council of Mutual Economic Assistance from the time of its organization in 1949 to the meeting held in Moscow in May 1958.

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Mr. [REDACTED] A/U, traced the early development of CEMA. It was organized in 1949 with Poland, Czechoslovakia, Bulgaria, and Rumania as members, and in 1950, East Germany and Albania joined. CEMA apparently was the East's answer to the Marshall Plan, and it had as its main objective to make the Bloc more self-reliant economically and materially. From 1949 to 1953 there was an attempt to industrialize the Satellites through CEMA by making each Satellite country an industrial unit. The Soviets wanted to insure that raw materials went to the Soviet Union instead of the West and that the Satellites developed processing plants that the USSR needed. There were drawbacks to the plan, as some of the countries were not ready for it, and it resulted in the illogical location of industrial plants--where no raw materials were available. During the period 1953 to 1956, there was primitive coordination of economic plans of the Satellites with the USSR. In 1956 the real coordination program began when specialization assignments were given to the various members. However, a major setback came in the Fall of 1956 with the revolts in Hungary and Poland. Agreements were not followed and coordination was not smooth. Following the revolts, the Soviets urged CEMA to strengthen itself and make more working level agreements. In mid-1957 there were announcements of multilateral trade agreements, and a 15-year plan has been announced for the Bloc.

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Mr. [REDACTED] A/FC, discussed CEMA activities with regard to machine building (or engineering) industries. He pointed out that the USSR as a participant of CEMA occupies a special position because it cannot renounce any kind of production. In spite of the fact that CEMA decided on various specialization assignments, there was little actual specialization through 1956-57. Theoretically, this specialization program was to be incorporated in the production and trade plans of the Satellite countries. There were two features of these specialization assignments: it showed little departure from established trade patterns, and emphasis was placed on specialization by type or model and not by industry. The latter was decided on because plants were already fixed, and specialization by industry would have required large change-overs and severe underutilization of capacity. There were two types of implementation of this program: the negative--some countries have given up on developing industries they do not already have; and the positive--long-term bilateral trade agreements have been worked out which serve as the main vehicle of this program, permitting alterations in the product-mix and presumably greater efficiency in the future.

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Mr. [REDACTED], A/E, first discussed the Moscow meeting of CEMA in the last week of May 1958, which is the first plenary meeting of CEMA attended by top party members as well as key government leaders. At this meeting Khrushchev expressed dissatisfaction with cooperation between the Satellites, and expressed the need for long-term planning. Information on the meeting is rather scarce, but the general outcome of the meeting appeared to be: (1) agreed recommendations as to further economic development, (2) priority of sectors to be stressed, i.e., raw materials, power, new machine and techniques, chemistry, etc.; (3) the role of CEMA was to be greatly enhanced and it was to have more power; and (4) some sort of sanctions were to be applied to noncomplying countries. Mr. [REDACTED] pointed out that the most important development in CEMA since 1956 is the creation of industrial or standing commissions, such as the Machine Building Commission with headquarters in Prague, the Coal Commission with headquarters in Warsaw, etc. The record of these standing commissions is spotty, and criticisms have been that they tend to specialize in scientific questions and have not focused on the more basic questions. However, they now seem to be increasing their activities markedly in promoting industrial specialization.

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Mr. [REDACTED] gave as his predictions for the future of CEMA: that the Satellite countries are going ahead and tighten their coordination; that they will work out more specialization; that they will find some way to bolster the special arrangements already made; and that the closer coordination from a Bloc standpoint will result in the individual countries being more efficient internally.

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Mr. [REDACTED] thinks that there is considerable leeway for the countries to exert their own bargaining power, and as a result of this and other factors, these nations would work out a more rational distribution of economic resources. He emphasized that they did not have a fixed program that would run mechanically.

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Mr. [REDACTED] announced that he has on file a cataloging of photographic intelligence on the European Satellites in his office which is available for ORR analysts to use.

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On 2 July 1958, Mr. [REDACTED] of the Liaison Division of ORR, will discuss Satellite participation in trade fairs in the free world.

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Secretary